

A consultation on school funding reform: rationale and principles

Response of the Association of School and College Leaders

Introduction

- 1 The Association of School and College Leaders (ASCL) consists of 15,000 members of the leadership teams of maintained and independent schools, academies and colleges throughout the UK. This places the association in a unique position to see this consultation from the viewpoint of the leaders of secondary schools and colleges including Business Managers and we welcome the opportunity to respond to the consultation.
- 2 ASCL has argued consistently for a fairer funding system for over twenty years. Over ten years ago we published “Fairer Funding- proposals for a national funding entitlement for schools which itself was a follow up to an earlier publication “A Better Cake” published in 1994 on the same theme.
- 3 Our original proposals had wide support including from the then DfEE officials but ministers determined not to implement the suggestions probably due to the effect of creating winners and losers and the potential political impact. The political reality of the move to a fairer funding situation is starker than it was over ten years ago due to the current economic situation. There can only be ‘winners’ at the expense of ‘losers’ in any change taking place in the foreseeable future.
- 4 It is our view that a move to fairer funding is even more essential now than it was then and will have our full support. We hope that on this occasion the ‘nettle will be well and truly grasped’ and that there is not a stepping back from the issue for political reasons. Our young people have a right to equity of educational provision that will require a ‘fair funding’ system.

The ideal school funding system: a definition of fairness

- 5 ASCL takes the view that fair funding is a level of funding that provides different institutions with equality of opportunity to deliver excellent education in line with specified expectations, for example as defined by Ofsted criteria. At first sight this may sound like we are in full agreement with the first bullet point in section 2 of the consultation in that “schools in similar circumstances and with similar intakes would receive similar levels of funding”. That, however, may not be quite the case.
- 6 The ASCL definition of ‘similar circumstances’ may be far more comprehensive than that used by the DfE or members of the Ministerial team. Many of the factors that we would cite as producing dissimilar circumstances are in fact local factors best known and understood at local level. A clear example of this is the fact that a difference of only a handful of pupils in the total roll of an 11 to 16 secondary school with around 750 pupils can result in a 6% budget swing in a worst case scenario. Simplistic comparison of schools on the basis of phase, roll size, geographical location and Free School Meal (FSM) eligibility have no sensitivity to this and other significant issues that cannot be addressed through a national distributional formula to individual schools.
- 7 Whilst agreeing in principle with the sentiment that an ideal school funding system would distribute money in a way which is fair as defined above we do not understand the use of the term logical in the first bullet in section 2 on page 2 of the consultation. If the funding is distributed through any system which can be expressed in mathematical terms it will be by

definition logical. We would not expect distribution to be through a system which could not be expressed mathematically. We would however not support a system, however 'logical' which produced chaotic results in the sense that a range of possible outputs were possible from a single input.

- 8 This underlines the point that sudden variations in school budgets can be very difficult to manage. Secondary school management cycles tend to operate over academic years at best and more usually over two academic years at a time given that a significant number of courses in key stages four and five are in effect of two years duration. It is virtually impossible to change a year 10 programme when the students move into the year 11. There is a similar issue in terms of there being significant fixed elements in a programme from year 12 that move into year 13.
- 9 ASCL thinks it is correct that school budgets should vary as they respond to changing characteristics of pupils and student numbers but we do not think it is wise that the system is so sensitive as to produce fluctuations in terms of their frequency and amplitude that create issues in terms of strategic financial planning at the school level. We also note that 'changing characteristics of pupils' should, in our view be taken to mean an actual change in the school clientele and not a change in definition applied to the same pupils. Taking a group of pupils in or out of a definition of deprivation by modifying a proxy indicator will not alter the educational needs of those pupils.
- 10 We agree with the point about distributing extra resources towards pupils who need them most but again have issues with the tension between a proxy indicator for deprivation and performance measures based around a group of students defined by that indicator. Whilst we welcome the pupil premium we wish to place on record that the issue of deprivation in schools is far wider than that currently picked up through a FSM indicator. Issues of rural and cultural deprivation are just as pernicious as low income and frequently have no association with it.
- 11 The Association considers that the terms transparent, easy to understand and explain are not the most helpful in determining a funding system. Instead we support a system which is workable, justifiable in relation to the activity demanded of schools and one which produces an acceptable result. This point in the consultation document confuses three concepts. We will deal with each of them separately
- 12 **Transparency:** This is essentially a subjective term and is in our view relatively meaningless in terms of a sensible funding system. Whether or not something is transparent is a function of the ability and more usually the willingness of the observer to follow it through and understand it. ASCL would fully support the principle that any funding mechanism needs to be capable of open justification and not be made up of hidden or secret detail. The current system contains factors which are at best historic and which have no link to school activity other than being something that probably seemed appropriate at the time and well before any real consideration of activity led or activity referenced funding. We do not think that such an approach is capable of open justification. Something which does not contain 'good idea at the time' or 'historic' factors is perhaps what is intended by the use of the term 'transparent'. We would prefer the terms open and justifiable in the context of the expectations placed on the funding formula.
- 13 **Easy to understand:** Again ASCL does not find this term helpful in terms of ensuring that the funding system is fit for purpose. What is easy to understand in one field will often be incomprehensible in another. We would suggest the following analogy. Most politicians will have an intimate knowledge of the lessons of political history but a virtually complete lack of understanding of the mathematics that underpin the operations in their mobile phones. Such an understanding is irrelevant to the user provided that those who need to understand it do so, that it can be explained in lay terms at the highest but not necessarily the most accurate

and detailed level and that the output is fit for purpose. We think exactly the same ideas apply to an ideal school funding system.

- 14 **and explain:** ASCL agrees with this idea provided it is taken that the explanation itself needs only be fit for purpose and operate at the higher level. For example, Professor Brian Cox can produce a high level explanation of the purpose and workings of the Large Hadron Collider for the lay person in a manner that is 'fit for purpose' but which necessarily falls far short of anything even remotely like a full explanation.
- 15 ASCL takes the idea of supporting a diverse range of school provision as read in the sense that it is clear that the current agenda is to create a wide range of school provision. We support the view that the idea of fairness defined in paragraph 5 above should apply across all state funded institutions however they are constituted or labelled.
- 16 The association considers it axiomatic that a system provides value for money and ensures proper use of public funds. We do not believe that the current system which perpetuates historic advantage for some areas and provides a financial differential for some types of institution does that. Despite the political difficulties of change in a time of financial constraint we would support a move to a fair and equitable, justifiable funding system that provides all state funded institutions with equality of opportunity to deliver in the context of funding that can be demonstrated as being fit for purpose.

The pupil premium

- 17 Whilst the association welcomes the pupil premium and the idea of additional funding being allocated to support deprived pupils we have reservations about the proxy indicator used and the manner of its use. These have been indicated in paragraph 6 above and expanded upon in detail in our response to earlier DfE consultations. Our representatives are also willing to meet with officials and expand upon this point should it be deemed useful.
- 18 ASCL does not agree with the sentiment expressed in paragraph 4.3 of the consultation document that "all deprived pupils have the same level of funding". A significant element of supporting any deprived pupil is the employment of appropriate professional support. The simple variation on cost of such provision from region to region mitigates against the idea that the same level of funding for all identified pupils is fair without some form of area cost adjustment. Secondly there are gradations in impact of deprivation. Not all the pupils picked up by the proxy indicator will be equally disadvantaged in educational terms by their 'deprivation'. Equally there will be pupils not picked up by the indicator, particularly in rural areas, who have significant educational disadvantage.
- 19 The idea of a simple allocation mechanism whereby all eligible pupils attract the same level of funding but the school is allowed to use the funding in whatever way it sees fit is acceptable in terms of the second point concerning different levels of deprivations but inadequate in terms of variation in regional costs. ASCL believes that there is some evidence to show a variation in relative attainment across different bands of FSM need which may indicate the need for a pupil premium that is a function of the proportion of eligible students in an institution. We would suggest that a review of the available data would ascertain the validity of our views and proposal on this matter. The issue already mentioned of making the proxy indicator the basis for a performance indicator is, as we have already pointed out, flawed and will lead to perverse incentives.

A Fair Funding Formula

- 20 Paragraph 5.1 talks about the needs of different groups of pupils in the context of schools not receiving the same level of funding. Whilst we do not disagree with this sentiment we feel that it is important that the differing needs of pupils due to structural circumstances beyond a school's control such as having specialist provision, operating on a split site, having very expensive site costs and insufficient access to capital funding to do anything practical about such costs are recognised and addressed. For these reasons we feel that where schools are

maintained by local authorities there needs to be the ability to vary funding locally within the parameters set by national expectations.

- 21 There is a clear implication for academies in this context and although we make a positive proposal elsewhere which we think could resolve issues around LACSEG we think the potential perverse incentives produced by local flexibility are a function of the multiple provision that has been rapidly developed. These incentives will exist whilst there is any choice for change on the part of a school in one sector that is funded below the level of another sector. Despite that we believe it is right and proper that where local decision making is possible to support schools in fair delivery of education then it should occur acknowledging that there are unexpected consequences of widening a free market in school provision.

The role of local authorities

- 22 ASCL considers that paragraph 6.2 could point the way to a significant paradigm shift which in our view may solve many of the current issues assuming it could be made to work and there was the will to implement the result. The key element is “it will be necessary to have a clear divide between these responsibilities and the funding for them. Every school and authority would be funded in the same way regarding these responsibilities.”
- 23 ASCL suggests that a radical extension of this sentiment should be fully explored. The idea is that all state funded schools, Academies of any description, free schools, maintained schools, and whatever other state funded schools either have or have yet to be defined should initially be funded on national formula basis. At the highest level this should be based on a set of agreed parameters. These parameters would define a per pupil funding level in pounds per pupil. Combined with this could be a small school factor to cover the higher than average fixed costs. A variable sum rather than a fixed sum could be used, for example a multiplier such as $U(3000-n)$ where n is the school roll and U is a relevant factor based on analysis of current fixed costs could be tested as a starting point for analysis and developed to something that was fit for purpose. A pupil premium would be added on top of this funding.
- 24 ASCL would propose that the agreed parameters should be activity referenced and it should be emphasised that this does not produce activity led funding. The association considers it is possible to incorporate area cost adjustment in to these should suitable average staff cost values be used as one of the parameters and also to make adjustments for different phases of education. In the case of maintained schools there would be a local determination of what proportion of the funding delivered by this formula should be passed by schools to the local authority for the ‘school maintenance responsibilities’ as defined in the division of responsibilities indicated in paragraph 6.2 of the consultation.
- 25 There would then be no LACSEG grant back to Academies as all school would initially be funded on the basis of independence from LAs and maintained schools would effectively ‘buy in’ on a locally agreed but mandatory basis. The approach given in this paragraph is no more than an outline and ASCL representatives are willing to discuss this idea in detail and, should it be seen to be of use, contribute to its rapid development. Initial thinking leads us to believe that it would fulfil the criteria expressed in section 2 of the consultation document whilst also meeting our thoughts about moving to a system which gives all schools equality of opportunity through funding.

High-cost pupils, including children with special educational needs

- 26 The Association believes that high cost special needs pupils should be funded totally through a local authority budget from which all providers, maintained, academy and free derive relevant resources for individual students attending their institution. If academies feel that this contradicts the total independence from an LA then a similar model could be pursued with the Education Funding Agency (EFA) being the sole holder of funding for high cost special

needs pupils. In essence we think there should be one provider for such pupils. The local authority seems to us to be the most sensible one in terms of their accountability to parents.

- 27 The same argument as is used in the previous paragraph could be applied to funding for SEN support services where academies do not receive any additional funding for these services but receive an entitlement to the use of such services in proportion to the number of eligible pupils on roll in exactly the same way as all other state funded schools in a local authority area.
- 28 The association supports the idea of exploring a banded funding framework for high cost SEN if, on implementation, it will clarify the situation and improve the use of information from the assessment process in the allocation of resources.
- 29 We agree with the sentiment of looking for better alignment in SEN and disability funding but do not have sufficient knowledge across the birth to 25 age range to make any detailed comment on this.

Early years funding

- 30 ASCL is a secondary school and colleges organisation and although we have a few members currently managing and working in all through institutions and in federations that have both secondary and primary phase pupils we do not feel that our representation is sufficient for us to make any meaningful comment on the EYSFF.

Elements of a fair funding formula

- 31 In the context of our comments in paragraphs 21 to 24 above the points in section 9 of the consultation document anticipate a solution to the problem of a funding formula based around block sums, per pupil funding amounts and adjustment factors. ASCL considers that this may not necessarily be the best way forward. Having said that, if the solution space, for whatever reason has been closed down to a revamping of block sums plus per pupil amounts etc. then we think it important that school factors are taken into account particularly at a local level. This may be relatively simple to see in terms of maintained schools or academies that are part of reasonably sized chains but in the case of standalone institutions it is more difficult to imagine how local site specifics can be fairly accounted for in any practical way.
- 32 In the context of paragraph 9.3 we would point out that 'less cost effective provision' is not always a matter of choice. The ability of a school to move to 'more efficient organisation' may be mythical as there are a number of factors that are beyond the school's control e.g. pupil numbers in a year group, split site, building condition and layout, PFI costs.
- 33 It would seem from paragraph 9.5 that significant elements of the die have already been cast. We think this is both a potential mistake and a missed opportunity. A fair funding formula of the type that ASCL has been arguing for over the last twenty years will not result from preconceived theoretical ideas or an oversimplification of the issues. What is most likely to result from that is simply a different set of arrangements that will almost certainly be unfair although probably in a different manner. ASCL does not support change for the sake of change. We support sensible, well modelled, thought out improvements. Such change requires starting from first principles of 'what do we expect from schools and how can we get the funding to the right place' and not "what answer are we looking for".
- 34 Paragraph 9.7 is somewhat naive. Whilst we accept the need to be able to explain any funding mechanism to a wide audience (see paragraph 14 above) we assert that it does not mean that at the operational level, the funding mechanism has to be simple in itself. $E=mc^2$ is a clear and simple formula but its deepest implications are far from simple to explain or understand. The important point is that whatever formula or formulae are used they must be

fit for purpose and produce acceptable results. Simplicity is a desirable rather than an essential characteristic.

How should we manage the transition to a new funding system?

- 35 ASCL could give a view that for schools operating around the mean an annual shift in funding of up to 3% may be manageable. There is however the difficulty of such funding changes being notified too late to implement them from April therefore compacting the true effect into a September to April timeframe. We do not see why in a new system all institutions cannot be funded on a basis which is closer, if not identical, to the academic rather than financial year, as indeed is the case for academies. What the level of manageable change might be for schools that lie well outside the centre of the distribution curve is impossible to tell without sensible modelling including curriculum dimensions. It is not difficult to carry out such work and the curriculum expertise to either do that, or to advise on it is easily to hand within ASCL should DfE officials wish to draw upon it.
- 36 In terms of time required to plan for changes schools need a degree of certainty over time periods in units of two years due to the course lengths in key stages four and five. A number of secondary schools are already operating on three-year key stage 4 programmes which means that even longer term strategic financial decisions are being made, ideally requiring three-year indicative budgets.
- 37 The right time to move to a fair funding formula is as soon as one is found which is in fact fair and which can be shown to have a set of transition arrangements that do not damage the pupils in the system during the transition period.
- 38 ASCL is willing to be further consulted and to assist in any way that it can either on or off the record.

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